## MONTHLY REVENUE REPORT March 2002

Tax collections continued to lag behind year-ago levels in March. The revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.46 billion in March, which was down 6.4% from last year's level. This marked the third consecutive month that tax collections have fallen below their year-ago level. During this three-month period, tax collections are down 5.7% from last year. The decline in tax revenue in March was widespread among the major taxes. Taxes that experienced a drop in revenue included the income, sales, use, tobacco, real estate transfer, estate, single business, and severance taxes. The only taxes that experienced an increase in revenue in March were the State education property and insurance taxes. So far in FY 2001-02, the revenue collected from these 12 major taxes is down 2.0%, which is trailing the 0.7% increase estimated for FY 2001-02 at the January 2002 Consensus Revenue Estimating Conference.

Gross income tax revenue totaled \$587 million in March, which was down 7.8% from last year's level. Gross income tax revenue includes withholding, quarterly, and annual payments. In March, the revenue from all three of these income tax payments declined. Income tax withholding payments, which accounted for 93% of total gross income tax collections in March, were down 6.7%. This decline is due in large part to the reduction in the income tax rate, which is now 4.1% compared with 4.2% last year, and the fact that large bonuses were paid to motor vehicle industry employees last year in March, but not this year. Quarterly income tax payments were down 26.6% in March and annual payments fell below last year's level by 19.8%. On a fiscal year-to-date basis, gross income tax collections are down 5.1%

Sales tax revenue fell 4.3% in March to \$433 million. This marked the third consecutive month that sales tax receipts have dropped below their year-ago level. The sales tax revenue collected from motor vehicle transactions fell below last year's level by 3.4%, as motor vehicle sales continued to cool off from the historically high selling rates experienced during the first few months of FY 2001-02. Sales tax collections from all other taxable retail sales also fell in March, by 4.5%, which marked the fourth time in the past five months that these non-motor vehicle sales tax collections dropped below last year's level. So far this fiscal year, total sales tax collections are up 1.0% from last year, but all of this increase can be attributed to the very strong level of motor vehicle sales that occurred at the beginning of the fiscal year.

Single business and insurance tax collections totaled \$68 million in March, which was down 22.7% from last year. Single business tax collections were down 32.3%, while insurance tax revenue was up 55.7%. The decline in collections generated from the single business tax, which is a modified value added tax, can be attributed in part to the lower level of employment and business profits compared with last year at this time, and the ongoing annual reduction in the tax rate. On a fiscal year-to-date basis, single business and insurance tax collections are down 10.8%.

One of the few bright spots in revenue collections has been the State education property tax. In March, the revenue from this property tax topped last year's collections by 4.5% and on a fiscal year-to-date basis, State education property tax revenue is up 7.6%.

The table on the back of this report identifies the 12 major taxes included in this report, and provides their respective revenue levels and growth rates for March 2002, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the FY 2001-02 consensus revenue estimates.

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## **MICHIGAN REVENUE UPDATE MARCH 2002**

(dollars in millions)

	February Collections		FY 2001-02 to Date <sup>2)</sup>		FY 2001-02 Estimate <sup>3)</sup>	
	1 Columny C	% Change	112001	% Change	11 2001 0	% Change
Type of Revenue	Total <sup>1)</sup>	From Year Ago	Total <sup>1)</sup>	From Year Ago	Total <sup>1)</sup>	From Year Ago
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Income Tax						
Withholding	\$546.4	(6.7)%	\$2,774.1	(3.5)	\$6,615.3	0.3
Quarterly Payments	5.8	(26.6)	243.4	(19.1)	777.8	(0.6)
Annual Payments	35.2	(19.8)	71.2	(8.8)	688.8	(0.7)
Gross Income Tax	\$587.4	(7.8)%	\$3,088.7	(5.1)%	\$8,081.9	0.1%
Sales Tax	432.7	(4.3)	2,550.9	1.0	6,525.0	2.7
Motor Vehicles	79.0	(3.4)	407.5	22.4		
All Other Sales Tax	353.7	(4.5)	2,143.4	(2.2)		
Use Tax	88.5	(0.8)	528.7	10.1	1,405.0	5.4
Tobacco Tax	41.3	(8.8)	241.2	0.6	584.0	(2.0)
Single Business and						
Insurance Taxes	68.1	(22.7)	769.7	(10.8)	2,112.7	(5.0)
State Education Property Tax	214.1	4.5	711.0	7.6	1,548.0	3.9
Real Estate Transfer Tax	14.2	(23.7)	92.9	(12.1)	251.0	(0.8)
Estate/Inheritance Tax	6.7	(41.7)	62.3	(5.3)	127.0	(18.3)
Oil & Gas Severance Tax	3.6	(56.6)	12.0	(54.5)	43.0	(28.5)
Total	\$1,456.6	(6.4)%	\$8,057.4	(2.0)%	\$20,677.6	0.7%
Addendum:						
Gross Lottery Sales 4)	\$172.5	9.2	\$822.4	(1.1)	\$1,557.9	(2.9)
Net Lottery to School Aid 4)	63.3	(12.9)	297.2	(3.3)	570.0	(2.9)

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2001-02 year-to-date collections begin with November 2001 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the January 15, 2002, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2001-02 lottery revenue will include October 2001 to September 2002.

